AR41

GRANT Advertising International, Incorporated

10 South Riverside Plaza, Chicago, Illinois 60606

Summer 1967

Results Continue Up

Grant Advertising International, Inc., continued to show gains in earnings, income and billings in 1966. Net earnings reached $307,944, or 68 cents per share, an increase of 5.9 per cent over the previous high of $290,834, or 65 cents per share, recorded in 1965. Gross income, consisting principally of agency commissions and service fees, rose to $4,473,385, a gain of $417,308. Billings to clients reached $23,631,694, an increase of $1,475,161 over 1965. The 1966 figures for gross income and billings also represent new Company highs.

Based on the only indicator available to date—billings to clients—the upward trend appears to be continuing into 1967. For the first five months of this year, billings were $9,857,056, an increase of $1,069,888, or 12.2 per cent, over 1966. The Company report results on a semi-annual basis.

Operates Entirely Overseas

Grant Advertising International is different from other U.S.-based advertising agencies, both publicly and privately owned, in that its operations are **entirely overseas.**

From headquarters in Chicago, the Company directs the activities of 27 agency offices maintained in major metropolitan and industrial centers in 18 nations in Latin America, Africa, Canada, England, Asia and the Far East.

Only three of the nations in which Grant International operates are regarded as advanced industrially. They are Canada, England and the Republic of South Africa. The other 15 are classified as developing nations, or countries with emerging economies, each of them appearing determined to improve their respective standard of living through increased industrialization, production and foreign trade.

Ad Growth Faster Overseas

On a worldwide basis, it is overseas where advertising is growing faster percentagewise than in the United States. In recent years, the growth rate of advertising overseas has been running from two to three times greater than the annual growth rate of advertising in the United States.

It is also overseas where the advertising industry expects to experience its most rapid future growth. Domestically the period of explosive advertising growth, which was influenced to a large extent by the advent of television, appears to be over, and the growth rate to be leveling off.

Overseas, however, the expansionary period for advertising is only in its infancy. One factor is the emphasis on industrialization; although still in its early stages, the pace is accelerating. A second factor is a growing recognition of the value of advertising by businessmen overseas. A third is the recent growth, coupled with the tremendous future potential, of the communications industry where the status of television in the developing nations of the world, for instance, can be compared to its introductory stage in the United States.

A fourth factor that observors predict will accelerate the pace of advertising expansion overseas is the influence that will be exerted because of the recently completed Kennedy round of tariff negotiations. The authoritative **Gallagher Report** of May 23, 1967 stated:

> *"Conclusion of Kennedy Round of negotiations breaks through tarrif walls of 54 nations. Affects $200 billion international sales. Forces worldwide competition. U.S. world trade expected to double from $40 billion to $80 billion in next decade. Will increase foreign advertising in U.S., U.S. advertising abroad. . . . Volume of international advertising to triple in next five year. Double U.S. agencies overseas billings from $1 billion to $2 billion."*

In an analysis of the advertising industry, a report by the research department of EASTMAN DILLON, UNION SECURITIES & CO., signed by Michael T. Jackson, dated May 12, 1967, said, in part:

> *"We feel that foreign expansion will continue to outpace domestic billing advances—especially over the longer term."*

Management is cognizant of the future potential for advertising overseas, and is endeavoring to take whatever steps are necessary at the present to make certain that Grant Advertising International shares adequately in that future.

Temporary Dislocations Overcome

Although the long-term outlook appears favorable, management recognizes the possibility that near-term year-to-year results may be affected to varying degrees by temporary dislocations in one or more of the countries in which it does business. Management would regard it as highly unusual for all the nations in which it does business to show favorable economic progress simultaneously in the same year in the foreseeable near future.

Historically it has been customary for the Company's operations each year to reflect economic setbacks in one or more countries in which it operates. Interestingly, however, an unfavorable development in one part of the world has been more than offset regularly by more favorable developments elsewhere. This fact is illustrated by the Company's five-year growth shown in Table I.

TABLE 1

	1961	1966	$ Gain	% Gain
Gross Billings	$15,688,668	$23,631,694	$7,943,026	50.6
Gross Income	2,795,939	4,473,385	1,677,446	59.9
Net Income	202,962	307.944	104,982	51.7
Per Share	.45	.68	.23	51.7

Major 1966 Influences

A review of some of the major factors that influenced the Company's results for 1966 demonstrates some of the risks inherent in overseas advertising operations.

Globally, economic growth in 1966 was good, but spotty. Trade between nations expanded to an all-time high, and most countries in which the Company does business made genuine progress in the pursuit of real growth.

Economists report that of all the world's nations the most serious problems of 1966 were experienced by India, Argentina, Brazil and England. Significantly, the Company has substantial advertising operations in all four of these countries.

Inflationary pressures, such as were evident in the United States last year, were felt throughout the world. India was hard hit. Rising prices combined with another bad harvest, a worsening of the food shortage and an extension of rationing caused the Indian government to devalue the rupee by 36.5 per cent in June.

Argentina, second largest country in South America after Brazil, devalued the peso in May and again in August. This was followed by a third and more substantial 1966 devaluation in November.

Although Brazil did not devalue during 1966, pressure on that country's currency mounted throughout the year. A sharp rise in prices early in 1966 was followed shortly by an increase in the minimum wage rate and later by a 46 per cent raise in the salaries of government workers.

Brazil devalued in February of 1967, and Argentina devalued again in March of this year.

These devaluation actions combined to produce a foreign exchange loss of $66,745 for the Company, equivalent to 15 cents per share. Approximately half this amount was due to the above-mentioned 1967 actions. But because the February and March devaluations have already been reflected in 1966 results, they will not affect 1967.

The exchange loss reflected in 1966 figures was the largest for any year in the Company's history of 25 years of operations overseas. Its extraordinary nature can be seen by comparing figures for the previous six years which show exchange **gains** in four of those years and **losses** in two, as follow:

Year	Foreign Exchange Gain (Loss)
1960	$28,383
1961	5,031
1962	(820)
1963	5,031
1964	98
1965	(1,746)

England

In England the problem was different. During 1966 the English economy slumped substantially. Advertising budgets were caught in the squeeze. As was true of other agencies, Grant International's London office operated at a loss in 1966. Despite a cutback in revenues, management decided that on balance the past investment in the procurement and training of skilled advertising personnel warranted maintaining near-optimum agency strength. Additionally England's new selective employment payroll tax, which also covered advertising agencies, added to costs. Although the combined Canada-England operations produced a profit in 1966, the profit was 11 cents per share less than 1965.

Other Nations Up

Again in 1966, the unfavorable developments in certain parts of the world were more than offset by highly favorable developments elsewhere. Despite the effects of devaluation in India, Argentina and Brazil, and the unsatisfactory results in England, more favorable developments in 14 nations elsewhere still enabled Grant International to reach new operating highs for the year 1966.

South America Improved

Despite currency devaluations, the Company's 1966 results in South America showed substantial improvement over 1965—a net profit of $213,084 compared with $140,021 in 1965.

During the year Argentina announced it will place greater emphasis on private enterprise. By the end of August the country made provision for transfer of some government-owned industrial concerns into private hands.

Brazil has embarked on a new 10-year plan of economic development, and has adopted a revised tax-program that the government believes has anti-inflationary aspects.

The 1966 trade flow in Latin America was regarded as one of the most dynamic in the world. The Alliance for Progress marked its fifth anniversary. Under auspices of the Latin American Free Trade Association, the area has established a goal of free trade by 1972. The proposed Common Market is expected to speed economic advancement.

Grant International operates six agencies strategically located in major Latin American centers.

Asia, Far East

Outside of India, improvements elsewhere in Southeast and Southwest Asia enabled the Company to turn the corner in that area in 1966, recording a profit of $11,299 there against a loss of $23,378 in 1965.

Grant International operates 11 agencies in major cities of Asia and the Far East. While the near-term outlook for that area is spotty, the Company believes it is in a good position to

share in future progress expected to result from the completion of long-range economic development plans such as the 5-year plan launched last year by the Republic of Singapore that includes major improvements in the Port of Singapore and the construction of the Jurong Industrial Estate, which is to become a new industrial city of 500,000. Also worthy of note is the Asia Development Bank launched in Tokyo in late 1966 to assist development of multi-national projects.

INCOME BY AREA

Year	South Africa	Canada & England	Asia & Far East	South America
1961	$ 97,503	$64,658	$45,564	$ 50,308
1962	137,066*	14,695	64,863*	48,049
1963	134,597	31,625	(4,844)	8,253
1964	103,250	60,037	44,027	108,132
1965	122,878	87,030*	(28,378)	140,021
1966	105,770	36,487	11,299	213,084*

*Peak Year

HISTORY

Grant Advertising, Inc., the parent company of what was later to become Grant Advertising International, Inc., began domestic advertising operations in Dallas in 1935 and opened its Chicago headquarters in 1937.

Four years later, in 1941, the Company began what was to become one of the most diversified overseas advertising ventures of any U.S.-based firm by becoming the first American agency to open an advertising office in Mexico. During ensuing years Grant scored a number of other firsts by being the first American agency to launch advertising operations in the Philippines, Hong Kong, Singapore, Malaysia, Ceylon, Thailand and Kenya; and the second in India and South Africa.

Following is a timetable of Grant's expansion overseas:

1941—Mexico City, MEXICO

1943—Rio de Janeiro and Sao Paulo, BRAZIL
Buenos Aires, ARGENTINA

1944—Caracas, VENEZUELA

1945—London, ENGLAND
Toronto, CANADA

1947—Bombay and Calcutta, INDIA

1948—Hong Kong
Karachi, PAKISTAN
Cape Town, Johannesburg and Durban, REPUBLIC OF SOUTH AFRICA
PANAMA

1949—Santiago, CHILE

1950—New Delhi, INDIA

1952—Madras, INDIA
Montreal, CANADA

1956—Bangkok, THAILAND

1957—Salisbury, RHODESIA

1958—Colombo, CEYLON

1959—Windsor, CANADA

1961—Kuala Lampur, MALAYSIA

1962—Dacca, PAKISTAN

1963—Nairobi, KENYA

This represents 27 offices in 18 different nations, or an average of better than one new overseas agency office opened each year between 1941 and 1963.

Capitalization

Grant Advertising International, Inc. was incorporated in Delaware in 1964 with authorization to issue 750,000 shares of common stock, no par value. Its corporate purpose was to operate in advertising and public relations solely overseas. All but three of the foreign offices that had been established as indicated in the timetable by Grant Advertising, Inc. were included in the new corporation.

The three agencies excluded were in Nairobi, Kenya; Panama, and Mexico City. Operations had been launched in Nairobi only the year before and were not yet profitable. Mexico City, although profitable, was excluded because it was in the midst of an experiment, the effect of which on future profitability was uncertain. Because no established local distributor existed to handle a newly developed product, the Mexico City office agreed not only to handle the introductory advertising campaign for the client but also to serve as the product's distributor. Not knowing what this unusual venture might do to the office's earnings, management decided to omit also the Mexico City office when Grant Advertising International was incorporated in 1964.

There are 450,780 common shares of Grant International outstanding; 202,000 shares, or 48.7 per cent, were offered publicly in May 1965 as speculative securities. Grant Advertising, Inc., the parent company, remained owner of approximately 51.3 per cent of Grant International's outstanding common shares. The Company has no other class of stock. Holders of the common have one vote per share, with no cumulative voting for directors; holders have no pre-emptive rights, and upon liquidation each share participates ratably in assets available for distribution.

The Company, Grant International, can be differentiated from the parent, Grant Advertising, as follows: Grant International is publicly held and operates exclusively overseas. Grant Advertising is privately held and operates mainly in the United States.

Mr. Will C. Grant is chairman and president of both organizations which he founded and has guided since their respective inceptions. He directly owns 2,489 shares of Grant International. Mr. Grant, together with his wife, owns directly or indirectly approximately 66 per cent of the voting shares of the parent, Grant Advertising. In addition he and members of his family own 36 per cent of the non-voting preferred stock of Grant Advertising directly or indirectly; and The Grant Foundation, of which Mr. Grant is a director, owns approximately 20 per cent of the non-voting preferred stock of Grant Advertising, the parent.

South Africa, Rhodesia, Zambia

Grant International has a 100 per cent interest in all its overseas subsidiaries with the exception of Grant Advertising Limited, which represents operations in the Republic of South Africa, Rhodesia and Zambia. The Company holds an 87.4 per cent interest in Grant Holding Company which, in turn, holds 52.3 per cent of Limited. The remaining 47.7 per cent of the capital stock of Limited was sold in March 1964 to the public in South Africa where it is still traded. David Hart, managing director of the South African subsidiary, owns the other 12.6 per cent of Grant Holding Company.

Debt

As of Dec. 31, 1966 the Company had $97,395 outstanding on a short-term bank note, representing the Company's total indebtedness.

Dividends

Since inception the Company has regularly paid a quarterly dividend of 10 cents per share. In an effort to maintain dividends for the publicly held shares, the parent company has agreed to waive its share of quarterly dividends for the subsequent year in the event the Company's net earnings are less than $285,000 for any year ending on or before Dec. 31, 1969.

Management Contract

Grant International has entered into a 10-year management contract with Grant Advertising whereby the parent company has agreed to provide the Company with the full and complete range of administrative and fiscal services for a monthly fee equal to 1 per cent of the Company's gross commissions, fees and discounts, plus all reasonable out-of-pocket expenses. The contract is renewable automatically for successive 5-year periods unless terminated by either party during the 90 days preceding the end of each contract period.

As part of this contract Grant Advertising has agreed it will not open any new offices overseas nor acquire an interest in any agency with offices outside the United States for 20 years.

In addition the Company was granted an option through 1976 to purchase the three Grant Advertising overseas offices excluded from the 1964 incorporation. Under terms of the option, the purchase price was set at either (A) three times net income after taxes for the preceding year or (B) 18 per cent of the gross billings and fees, whichever is less, plus net assets at depreciated book value.

Mexico Office Acquired

On March 2, 1967 directors of the Company voted to acquire the Mexico City office for a cash sum equal to three times net earnings plus assets at depreciated book value.

Mexico, which is considered to be an advanced developing nation, is making outstanding progress economically.

The newly acquired Mexico City office also is making excellent progress. At the end of 1966 the agency had 39 accounts representing a net gain of 14 accounts over the previous year.

Included among the new accounts acquired in 1966 are Perma-Sharp Mexicana razor blades, Credito Mexicano finance company, Colchones America mattresses, Lancaster de Paris cosmetics, Bogedas Miramor wines, Ami de Mexico record players, Discos Cisne records, and Nestle S.A. Established accounts include Allis Chalmers, Dr. Scholl, Ex-Lax, Peter Diesel engines, Scripto and Tabaca en Rama tobaccos.

Expansion Continues

After its incorporation in 1964, Grant International continued the Company's expansion program by opening new offices as follows:

1965—Singapore, REPUBLIC OF SINGAPORE

1966—Ndola, ZAMBIA

1967—Mexico City office acquired

Earlier this year the Company was in the process of opening a new office in Beirut, LEBANON when the Mid East crisis erupted. The opening would have made Grant International the first American agency in the Mid East. Plans are being held in abeyance until such time as favorable conditions have been restored.

Due for a close look shortly as a possibility for acquisition in the near future is Grant Advertising's office in Nairobi, KENYA. Opened in 1963, this office has been progressing more rapidly than anticipated. It ended 1966 with 36 accounts, a net gain of 9 over 1965. During approximately 3 years of operations the Nairobi office has been appointed to represent clients such as Colgate-Palmolive, Ponds, Lufthansa airlines, Mobil Oil, the Singer Co., Commercial Bank of Africa, Twiga Chemicals, the Australian Trade Commission and the U.S. Commercial Office.

Meanwhile the Company continues to investigate other nations throughout the world as possibilities for additional new advertising ventures by Grant International.

Business and Services

The heart of the Company's business is planning, creating, preparing and placing thousands of different ads each year in the various media of communication—newspapers, magazines, billboards, radio, TV and cinema—that best serve the specific needs and interests of the various individual clients. Each ad must be tailor-made. It must exactly represent the product or service to be sold. It must conform precisely with the customs and characteristics of each local marketing area. e.g. it would be foolish to try to sell laundry soap by showing automatic washers to housewives in an area where the laundry is done by hand.

Last year the Company created and produced, in more than 70 different languages and dialects, 10,528 separate newspaper and magazine ads, radio and TV commercials, cinema films, billboards and promotional pieces. The breakdown of individual ads by media of communication is:

Newspaper	**5,406**
Magazine	**980**
Billboards	**272**
Radio	**1,528**
TV, Cinema	**642**
Promotional pieces	**1,700**

Being part of a growing international economy largely in its developmental stages has required each office of the Company to provide a full range of additional agency services. Since the sole objective of advertising is to help sell goods or services, and to move merchandise, Grant International offices throughout the world furnish their clients with detailed and comprehensive market-by-market surveys and assist their accounts in the development of special marketing strategies that experience has shown will produce the desired results in the areas of the world in which they do business.

Additional Services

The aforementioned services are all considered a normal part of the operations of an advertising agency. But in many cases Grant International offices have been called on for more. To assist in the introduction of certain products, or in the interests of expanding sales of established products, the Company has been asked not only to recommend reliable distributors and retailers but also to contact these sales outlets personally, with authority to work out the complete details. In Mexico City, the Grant International agency there actually handled the complete distributional services itself on behalf of a product for which no appropriate distributor could be found.

Whenever various offices of the Company have been asked to assume additional and unusual responsibilities they have proved capable of meeting the new challenges.

Public Relations

Many of the Company's overseas offices also offer a complete range of public relations services. They are separate from, and in addition to, the Company's advertising and marketing operations. While income from advertising usually is derived from a commission of approximately 15 per cent of a client's total budget, income for public relations services is derived from a fee, the size of which is based on the scope of the program involved. Thus a client may use either the Company's advertising services, public relations services, or both. If a client uses both, the Company is reimbursed generally by a commission on the advertising program and by a separate fee for the public relations program. The growth of the Company's public relations activities has been fairly consistent with its annual advertising gains.

Competition

Grant International competes mostly with local agencies, i.e. agencies operated and staffed entirely by nationals of the specific country. An exception is Mexico in which competition is provided largely by field offices of American-based agencies. In South Africa the major competition is from British, American and South African agencies. In Venezuela and in the Philippines, there are three American-based competitors in each country in addition to local agencies.

In other countries in which the Company has offices, however, the competition is either entirely from local agencies or, at best, includes only one American-based competitor per country.

Area Creative Teams

A key to advertising agency success is its ability to create meaningful advertisements that result in sales. It is in the area of creativity that the Company recently made a major move designed to strengthen its competitive position.

This move was the establishment of Area Creative Teams—teams of highly talented and skilled individuals who make their special services available not to just one office but to an entire group of offices in the Grant International complex.

Creative talent is extremely valuable in the advertising business, and every agency needs it. Through its Area Creative Teams the Company can make such talent available to every office in its international structure, and can do so much more economically than if each office were to attempt to maintain such creative talent as a permanent part of its individual agency staff.

Management believes its Area Creative Team program was tested thoroughly in 1966 and found to be a valuable innovation.

In addition to creating individual ads, commercials, film strips and billboards, the area teams enable the Company to offer each client many other services including the re-design of existing packages and the complete design of packages for newly developed products by skilled and experienced specialists.

Personnel

Approximately 90 per cent of Grant International's 750 employes are local residents, who are citizens of the country in which each office is located. Management believes this has proved to be an excellent ratio and plans to maintain it at substantially the same level in the future. It has been useful, for example, in trying to develop local new business for it offers the local businessman the opportunity to deal with citizens of his own nationality, backed up by American advertising know-how, or to work directly with experienced American executives.

The training of nationals who show promise is augmented in many cases by bringing them to the United States for a year or more to work in the parent company's domestic offices so they can obtain direct experience with advertising programs in this country. There is regular inter-office interchange of agency personnel to broaden experience. Additionally management endeavors to retain promising personnel through inducements such as the opportunity to get ahead by promotions from within.

Managers of the individual offices have risen from lesser positions. Their length of service with the Company averages 6½ years. Area and regional supervisors, in turn, have risen to their positions from those of office manager. Their average length of service is in excess of 15 years. The average tenure of the Company's account executives and account supervisors is a little more than 5 years.

Officers and Directors

Officers of Grant International who are directors are:

Will C. Grant

WILL C. GRANT, Chair- and President. Mr. Grant has been chief executive officer of Grant Advertising since 1935 and of Grant International since its incorporation.

JOSEPH G. WREN, Executive Vice President. Mr. Wren joined Grant in 1950 and has been head of Canadian operations since 1959.

ROBERT J. RUNTZ, Vice President and Secretary-Treasurer. Mr. Runtz was assistant controller of Grant Advertising from 1952 to 1960, and since 1960 has been its vice president and controller.

GEOFFREY J. D. BROOKES, Vice President and Inter-Regional Coordinator. Mr. Brookes joined the Company in 1959, was in charge of the Thailand office till 1961 when he became manager of the Hong Kong office. In 1964 he was appointed Far East Regional Supervisor, and became Inter-Regional Coordinator in 1967.

REGINALD S. J. DAVIDSON, Vice President. Mr. Davidson joined the Company in 1958, was manager of the Pakistan office till 1962 and managed the Calcutta office till being named Southwest Asia Regional Supervisor in 1963.

JOHN A. DEY, Vice President. Mr. Dey, who joined the Company in 1944, is in charge of Caribbean operations.

RAIMUNDO SCARAMPI, Vice President. Mr. Scarampi joined the Company in 1945. He was named manager of the Venezuela office in 1954 and he became South American Regional Supervisor in 1962. At 53 years of age he has 22 years experience with the Company. He speaks 7 languages fluently.

MARJORIE PRENTISS, Assistant Secretary of the Company.

Other directors are:

EUGENE COOPER, Senior Vice President of Grant Advertising and manager of the Grant Chicago office.

WILLIAM BRICEN MILLER, partner in the Chicago law firm of Lord, Bissell & Brook.

BURTON J. VINCENT, president of Burton J. Vincent & Co., investment banking firm, Chicago.

Ranks 9th in U.S.

Of the 4,200 advertising agencies listed in the 1967 **Standard Advertising Directory**, Grant Internaional ranks ninth in the United States in size of international billings. Of these American agencies, the Company is the only one that operates exclusively overseas.

In total number of overseas clients, Grant International is believed to rank first.

This accurately indicates the fact that the Company has a large number of small accounts. Management believes this has two significant advantages both for the present and for the future: first, a large number of small accounts provides an element of stability not present when total billings reflect only a few large accounts; second, for the future, it is believed that as the small clients grow bigger so will the size of their advertising budgets which, in turn, will enhance the over all growth of the Company.

Concentrate on Overseas Business

It's relatively easy for an American advertising agency to get into the international business. The difficult part is maintaining the overseas operation.

The quickest way to enter the international field is to open overseas offices to serve the foreign ventures of an American client. But it's also the most hazardous. Advertising history includes the case of a large American agency that had to shut down its entire international network due to the loss of a single domestic account.

Grant International selected a completely different and substantially more difficult route. Management decided early that the Company's long-range interests could best be served by concentrating on LOCALLY DEVELOPED BUSINESS. From its inception, management has insisted that each overseas office be able to show that it can sustain itself and grow INDEPENDENTLY, ENTIRELY FROM BUSINESS DEVELOPED ON ITS OWN.

The success of this approach and the ability of the various offices to develop business independently is illustrated by the following:

AT THE END OF 1966, GRANT INTERNATIONAL WAS SERVING 737 OVERSEAS ACCOUNTS, INCLUDING THE MEXICO CITY OFFICE. OF THESE ACCOUNTS, 625 OR APPROXIMATELY 85 PER CENT WERE SINGLE-OFFICE ACCOUNTS, I.E. SERVED ENTIRELY BY ONE OFFICE ONLY. THE REMAINING 15 PER CENT WERE MULTI-OFFICE ACCOUNTS, BEING SERVED BY TWO OR MORE COMPANY OFFICES.

In only one instance—General Electric—were as many as 10 of the Company's 27 offices involved in handling advertising for the products of one manufacturer. Eight offices each were involved in campaigns on behalf of Chrysler and Colgate-Palmolive. General Foods was served by seven offices. Six offices each represented products or services of Canadian Pacific Airlines, Coca Cola, Dr. Scholl, Kodak, Mobil Oil and Singer Sewing Machines. Facilities of four offices each were being used to represent American Express, Bata Shoe Co., National City Bank, Lufthansa, Nicholas Pharmaceuticals, the Sanforized Co., Scripto, Upjohn and the U.S. Information Services.

All other multi-office accounts were being served by either two or three offices each. They include IBM, Delta Airline, Revlon, Bank of America, Carter Products, Sabena Belgian World Airlines, Alitalia Airlines, Bayer, Ceylon Tourist Bureau, Cheseborough-Pond's, Danish Trade Commission, Plough, Inc., Quaker Oats, Shell Oil and Royal Bank of Canada.

Billings of the multi-office accounts amounted to 44.9 per cent of the total. Clients that have been served by Grant International since 1960 and before contributed 52 per cent of the total billings, and clients with the Company since 1955 and before were responsible for 27 per cent.

These figures indicate a satisfactory distribution of billings and client stability.

It should be pointed out that very few of Grant International's clients represent the extension of a domestic account and consequently, the Company's foreign business would remain generally unaffected should there be changes in the status of domestic accounts.

The bulk of the Company's business is obtained locally through the solicitations and presentations of the local offices themselves. Additional business is obtained through efforts of the regional offices which may (1) assist the new business efforts of their local offices (2) seek regional business independently or (3) work with other regional offices to solicit prospective accounts that have widespread geographic interests. The home office also assists in regional solicitations and makes presentations to the home offices of American companies with overseas interests.

Other business is obtained through referrals from American advertising agencies that operate in the United States but that have domestic clients with interests in overseas areas in which Grant International has offices.

A client-agency relationship can be terminated by either party on 90 days notice.

Noteworthy Trends

Although management's decision to concentrate on the local development of business was made years ago, the wisdom of that decision is perhaps only now becoming apparent through the appearance of several noteworthy trends on the international advertising scene.

One is the emerging importance of local businessmen themselves. While their individual advertising budgets have generally been small, a growing number of them apparently have accepted the value of advertising and, as a group, have been increasing their expenditures more rapidly than American advertisers overseas. This fact was reflected in the Company's 1966 results which show that the average increase in expenditures of such accounts was 30 per cent greater than the increase in expenditures of the Company's American clients overseas.

The second trend worthy of note is the tendency of more American companies to decentralize their foreign operations and allow their overseas branches, or their local distributors, complete independence in the selection of an overseas advertising agency.

The Company's growth to date has been based largely on its past success in soliciting business from, and handling the advertising accounts of (1) many local businessmen (2) local distributors of American products and (3) overseas branch offices of American companies.

New Business

Acquisition of new clients is important to any advertising agency interested in growth. New clients must be obtained to replace those that are lost as part of an agency's regular turnover, while others must be added to improve future revenue prospects.

Grant International currently is involved in an aggressive new-business drive.

In 1966 the campaign resulted in a NET GAIN OF 51 NEW ACCOUNTS. During the first 5 months of 1967, the campaign has increased the Company's client roster by a net gain of 41 additional new accounts.

However, the acquisition of new business serves as a short-term depressant on earnings. Solicitations and presentations involve agency time and certain expenditures that add to costs. Furthermore, once a new account has been acquired, the agency must absorb the costs of handling that account for approximately 90 days, which is the period of time it generally takes to launch a program to the point of billings.

As long as conditions appear favorable and the efforts successful, the Company intends to continue its aggressive pursuit of new business, regarding the costs involved as an investment in the future.

FINANCIAL HIGHLIGHTS

INCOME	1961	1962	1963	1964	1965	1966
Gross Billings	$15,688,668	$18,034,404	$18,847,848	$22,151,223	$22,156,533	$23,631,694
Gross Income	2,795,939	3,214,774	3,410,600	4,001,187	4,056,077	4,473,385
Per Cent of Billings	17.8	17.8	18.1	18.1	18.3	18.9
Net Income	202,962	181,160	93,162	285,907	290,834	307,944
Per Cent of Gross Income	7.3	5.6	2.7	7.1	7.2	6.9
EXPENSES						
Salaries and other Employe Benefits and Expenses	1,738,783	2,010,005	2,168,649	2,365,716	2,377,883	2,476,596
Per Cent of Gross Income	62.2	62.5	63.6	59.1	58.6	55.4
Office, General Administrative	643,167	736,165	824,852	859,734	972,095	1,098,829
Per Cent of Gross Income	23.0	22.9	24.2	21.5	23.9	24.6
Pretax Income	377,892	412,944	287,483	711,857	633,400	762,783
Per Cent of Gross Income	13.5	12.8	8.4	17.8	15.6	17.1

Comparative Highlights

Since most advertising agencies are privately held, very little authoritative industrywide financial information is available for comparative purposes. However, the May 12, 1967 analysis by the research department of EASTMAN DILLON, UNION SECURITIES & CO. provides data on which some comparisons can be made.

Gross income of Grant International, consisting principally of fees and commissions, has increased from 17.8 per cent of gross billings in 1961 to 18.9 per cent in 1966. According to EASTMAN DILLON, fees and commissions of Foote, Cone & Belding were 14.7 per cent of gross billings from 1961 through 1964, 15.0 per cent in 1965 and 15.1 per cent in 1966. For Doyle Dane Bernbach, the percentage by year was 15.8, 1961; 15.9, 1962; 15.4, 1965 and 15.1, 1966.

The reason Grant International shows a somewhat different pattern in this comparison can perhaps be explained by the following: (1) the Company's gross billing figures represent only those advertising expenditures on which the Company received a commission; (2) the Company handled certain clients for an annual fee, rather than a commission, and advertising expenditures of such accounts have been omitted from gross billings; (3) fees for public relations services are included in the Company's gross income figures.

SALARIES— "In a large agency," EASTMAN DILLON reports, "salaries usually represent 60 per cent - 70 per cent of total fees and commissions, with the 60 per cent level more prevalent among firms billing in excess of $100 million." For Grant International, the percentage of salaries and other employe benefits and expenses to gross income has decreased from a high of 63.6 per cent in 1963 to 55.4 per cent in 1966.

ADMINISTRATIVE— "General and administrative expenses run 20 per cent - 25 per cent of fees and commissions," according to EASTMAN DILLON research. Grant International's office and general administrative expenses have been well within this range since 1961, from a low of 21.5 per cent in 1964 to a high of 24.6 per cent in 1966, with the latter figure reflecting the increased costs of the Company's new-business drive.

PRETAX INCOME— "Over the past 10 years we estimate that pretax net income as a per cent of fees and commissions has averaged 12 per cent - 14 per cent," EASTMAN DILLON reports. Since 1961, the Company's pretax income, as a per cent of gross income, has been 13.5, 12.8, 8.4, 17.8, 15.6 and 17.1.

Taxation

The earnings of the Company's foreign subsidiaries are subject to the taxation provisions of the various countries in which operations are conducted. These earnings have not been affected by the Revenue Act of 1962 pertaining to the earnings of foreign subsidiaries.

The Company is subject to certain restrictions on the remittance of funds from foreign branches and subsidiaries to the United States. Of $363,514 in retained earnings or unremitted profits at Dec. 31, 1966, $348,053 was NOT restricted.

ACCOUNT HIGHLIGHTS

Following is a breakdown of the number of accounts served in the Company's various offices, names of some representative established accounts and products, and highlights of new business acquired in 1966:

South Africa

JOHANNESBURG—41 accounts. Cheseborough-Pond's, Coca Cola, Colgate-Palmolive, Credit Corp. of South Africa, Fison's Chemicals, Hill & Murray medical products, Letaba Citrus Producers, Max Factor, Prudential Assurance, Sabena-Belgian World Airlines, Security Trust Bank, Stellenbosch Farmers Winery, Wilkinson Sword Blades, Minute Maid Orange Juice. **NEW:** Central African Airways, Playtex, Mazista construction products.

CAPE TOWN—27 accounts. Cape Oil Products, Chrysler South Africa, Horrockses textiles, H. Jones & Co. canned products, Martini & Rossi, A. J. North & Co., beauty products, Riggio Tobacco Corp., Cointreau. **NEW:** E. F. S. Electronics, Protea Assurance Co., S. A. Metropolitan Life.

DURBAN—12 accounts. Berkshire ladies hose, Durban Confectionery, Natal Building Society, Sterling Drugs, Manhattan Shirt. **NEW:** Barens Shipbuilding & Engineering Corp., Slenderella, Int'l.

SALISBURY, RHODESIA—69 accounts. Advanx Tyre & Rubber Co., Bovril, Central African Power Corp., Consolidated Motors, Gatooma Textiles, General & Outdoor Signs, Ltd., Hippo Valley Estates, Isuzu Vehicles, London & Rhodesian Mining & Land Co., Monis Wineries, Netherlands Bank, Quaker Oats, Rhospar groceries, Rusape Sheet Metal, Turtle Wax, Schenley. **NEW:** Atlantic Electric Co., Rhodesia Dept. of Internal Revenue, International Television, Northern Breweries, Rhodesian Paint Mfgs., T. W. Beckert teas, Salusa pharmaceuticals, Citroen cars.

NDOLA, ZAMBIA—11 accounts. Berina sewing machines, Dunlop tires, International Harvester, Copperbelt Bottling Co. **NEW:** Vitretez Paints, Polyvinyl, Ltd.

South America

RIO DE JANIERO, BRAZIL—23 accounts. Agaco Modas women's wear, Delta shipping, Intec technical instruments, Serraria Inhauma Sumaras furniture, Home Insurance. **NEW:** Bausch & Lomb, Immuno pharmaceuticals, Pearson chemicals, Unitex clothing, Western Telegraph, Metalurgica Metamax, and Bonzano, Simonsen Investment Co.

SAO PAULO, BRAZIL—22 accounts. Bendix of Brazil, Fruehauf, B. F. Goodrich, Sylvania. **NEW:** Ajax Corretores insurance, Geigy chemicals, Karibe Knitwears, Purina.

BUENOS AIRES, ARGENTINA—16 accounts. Bogedas wines, Dana Perfumes, Firestone of Argentina, Royal Interocean Lines, Camara Dairy assn. **NEW:** Corn Products, Knittax of Argentina.

SANTIAGO, CHILE—21 accounts. Santiago stock exchange, Algodenes sportswear, Fondo de Capitales mutual funds, Velasco & Cia stock brokers, Chilenos Colliers pharmaceuticals, Coty beauty products, Santiago natural & bottled gas co. **NEW:** Sindelen home appliances.

CARACAS, VENEZUELA—38 accounts. Agfa, Carter Products, Cinzano, Delta Airlines, General Motors, Gillette, KLM airlines, Meme Grande Oil Co., Remington, Vargas toiletries, Oficina Tecnica industrial equipment, Productos Knorr foods, Cyanamid de Venezuala, Hondo motorcycles. **NEW:** C. A. Frina candies, Inversianos real estate.

Mexico

MEXICO CITY—39 accounts. Associacion Immobiliario, Allis Chalmers, Dr. Scholl, Ex-Lax, Peter Diesel engines, Scripto, Tabaca en Rama tobaccos. **NEW:** Credito Mexicano finance co., Lancaster de Paris cosmetics, Bogedas Miramar wines, Colchones matresses, AMI de Mexico record players, Discos Cisne records, Perma-Sharp blades.

England & Canada

LONDON—36 accounts. J. Bibby & Sons toiletries; Brody, Williams & Sons jewelry manufacturers, Divcon International underwater engineers, Elmo supermarkets, Flexile Metal Co., Medical & Biological Instrumentation, Plough, Saturn Airways, Unichem, Ltd. **NEW:** Barking Brassware, Eothen Films, Gold Bond trading stamps, Pacific Hawiian Products Co.

TORONTO (MONTREAL, WINDSOR)—17 accounts. Dr. Pepper, Eastern (industrial) Construction Co., Gibbard Funiture, Horton Steel, Niagara Wire Weaving Co. **NEW** Duplate Canada safety glass, Jordon wines, Rideau Carleton, Raceway, Hawkins potato chilps.

Asia & The Far East

BOMBAY, INDIA—55 accounts. American Express, Colgate-Palmolive of India, Dhruva Woolen Mills, Ethiopian Airlines, Kashmir Tourism. Cosmos India Rubber Works, Sheaffer Pens, Singer Sewing Machine Co., Jammu & Kashmir Industries, Ingersoll Rand. **NEW:** Bombay Textile Mills, Hindustan Import & Export Co., Chemical Engineering Corp., Permanent Magnets, Ltd.

CALCUTTA, INDIA—36 accounts. Assam Oil Co., Bharat Ball Bearing Co., All-India Ball Bearing Mfgs. Assn., General Electric of India, Goodyear India, India Hard Metals Co., Oil India, Willys Jeep. **NEW:** Burmah Group of Oil Co.'s, Calcutta Polo Club, India Chemical & Allied Export Council, Shalimar Industries, S.A.S. International.

NEW DELHI, INDIA—17 accounts. Blackwood-Hodge machinery co., Delhi Optical Co., Shriram Vinyl & Chemical Industries, Fedders air conditioners. **NEW:** Canadian Pacific Airlines, Flora Electronics.

MADRAS, INDIA—16 accounts. East Asiatic Co., India Radiators, India Potash Supply Agency fertilizers, Kishinchand Cellaram textiles, South India Export Co., Veecumsees Jewelers. **NEW:** Madras State Bank, Martin & Harris Pharmaceuticals.

KARACHI, PAKISTAN—28 accounts. Aluminum Pakistan, German Remedies & Trading Co., Hoechst Pharmaceuticals, Imperial Chemical Industries, National Security Insurance Co., Pakistan Cables, Ltd.; Pakistan Fruit Juice Co., Rama Tractors & Equipment Co., United States Information Service; All-Pakistan Newspapers Society. **NEW:** Air France.

COLOMBO, CEYLON—39 accounts. All-Ceylon Professional Photographers, Bata Shoe Co., Ceylon Cold Stores, Ceylon Knitwear Industries, Ceylon Oils & Fats Corp., Ceylon Synthetic Textile Mills, Ceylon Tobacco Co., Ceylon Tourist Bureau, Pfizer, Shell, Swadeshi Industrial Works, United Garment Int'l. Ltd. **NEW:** Luxury Hotels, Ceylon Paint Industries, Ltd.

BANGKOK, THAILAND—39 accounts. Kodak, Mobil Oil, Thai Int'l. Airways, Thai Tobacco, TWA. **NEW:** General Foods, R. J. Reynolds Tobacco, Borden, Bristol-Meyers, Siam International Continental Hotel.

HONG KONG—56 accounts. Acrow Engineers, Alitalia Airlines, Ambassador Hotel, Asia Magazine, China Engineers, Ltd.; Far East Trading Co., General Telephone Directory, Ka Wah Bank, Lufthansa, Jantzen, Revlon, Upjohn, Canada Dry, Wong Bros., & Co., Volkswagen. **NEW:** Hong Kong & Shanghai Hotels, Parker pens.

KUALA LAMPUR, MALAYSIA—16 accounts. Chase Manhattan Bank, French Trade Commission, Malayan Sugar Mfg. Co. **NEW:** Danish Trade Commission, Dow Chemical, Shick, Suzuki.

SINGAPORE—23 accounts. Air New Zealand, Federated Motors, Donald Moore publishers, Muller & Phipps drug supplies, Revlon, Ford, Kraft. **NEW:** Borneo Co., Hume Industries steel & concrete products, Barkath Stores, Catalina swimsuits.

MANILA, PHILIPPINES—38 accounts. Allied Thread Co., American Int'l. Underwriters, Bank of America, Borden Chemical Co., Emery Air Freight, H. E. Heacock department store, Manila Wine Merchants, Inc., National Technical Schools, Outboard Motors. **NEW:** Philippine Pharmaceutical Industries, Pall Mall, Marblecraft, Inc.

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